

specified percent of the commutation funds received against the actual enrollments in each course listed below for the immediate past academic year:

(1) 15 percent of basic course.

(2) 5 percent of advance course.

(3) 5 percent of field training (when applicable).

(D) Purchase of hazard insurance to protect uniform inventory against loss.

(xii) Unexpended commutation of uniform funds is the balance remaining after all commitments or obligations relating to the immediate past academic year and the amount of retained uniform commutation funds (see paragraph (c)(2)(xii)(A)) have been deducted. The unexpended balance shall be computed as of July 1 each year. Commitments or obligations relating to new year procurement, maintenance, or other allowable activities may not be charged against the unexpended balance. As an exception, the unexpended balance may be used for paying bills for procurements of past academic years that are submitted AFTER the cutoff date of the report required by paragraph (c)(2)(xii)(C).

(A) The amount of unexpended uniform commutation funds an institution may retain from 1 academic year to the next for continued financing of the uniform program is the greater of \$3500 or 20 percent of the uniform entitlement for the immediate past academic year.

(B) Accumulated funds that exceed this limitation shall be returned to the Military Services.

(C) As of July 1 of each year, a uniform commutation report DD Form 2340, "Annual Report on Uniform Commutation Fund" shall be completed by the institution receiving commutation funds and submitted to the appropriate authority for each Military Service by July 31.

(1) The uniform commutation report shall include a detailed list of expenditures, total funds available for the immediate past academic year, including the unexpended balance from the last report, an explanation of any monetary adjustments and errors, the balance of funds on hand, and the amount being refunded to the appropriate Military Service as the unexpended balance, if any. The report shall be coordinated with ROTC unit commanders and

signed by the appropriate institutional official who maintains records of the receipt of funds.

(2) All records on the receipt and expenditure of commutation funds shall be subject to periodic audit and inspection. Institution officials shall be responsive to recommendations made.

(d) *Inspection.* Inspections shall be conducted when an ROTC unit is initially established at an institution that does not already host another Military Service ROTC unit. Inspections shall ensure that only those institutions that meet the requirements of paragraphs (a)(1) or (3), are awarded the MC or MJC classification and only those awarded MC, CC, and MJC classifications that meet the additional requirements of paragraph (b) shall be authorized the special rate of commutation instead of uniforms. Inspections of established units at MCs, CCs, and MJCs shall be conducted on an exception basis.

(1) The Secretaries of Military Departments shall prescribe specific inspection procedures applicable to ROTC units of their respective Military Services.

(2) When discrepancies are noted at institutions, their classifications shall be subject to review for resolution or withdrawal by the Secretaries of the Military Department concerned. In the instance of withdrawal of classification, the appropriate Military Service's review of, and final notification to, the institution shall be within 30 days of the date the discrepancy was noted.

§ 110.6 Information requirement.

The reporting requirement for paragraph (c)(2)(xii)(C) is assigned OMB No. 0704-0200.

APPENDIX A TO PART 110—CLIMATIC ZONES USED TO DETERMINE RATES OF COMMUTATION ALLOWANCE

Zone I

1. Alabama
2. Arizona, only 100 mile-wide belt along south border
3. Arkansas, southern two-thirds
4. California, except area north of 37°
5. Florida
6. Georgia
7. Guam
8. Hawaii
9. Kentucky, southeastern one-third